

APEC: Issues and Prospects

By JJTI Editorial Staff

APEC is making steady progress toward liberalizing trade and investment. The endorsement toward liberalization is reinforced at each conference, by the Bogor Declaration in 1994 in Indonesia, the Osaka Action Agenda in 1995 and the Manila Action Plan last year. The 1997 meeting is scheduled in Canada. Japan is asked to play an even more active role in APEC's agenda. Mr. Tateishi Nobuo, Chairman and Representative Director of Omron Corp., and Mr. Hayashi Yasuo, Director of the International Trade Policy Bureau, Ministry of International Trade and Industry, here evaluate the Manila Meeting and discuss APEC's current situation and issues of concern.



Japan plays a big part in the strengthly progress of APEC.

Looking back on the Manila Meeting

The cooperation of private enterprises is imperative to further solidify the current APEC's constitutive aim. Chairman Tateishi evaluated highly the accomplishments of the conference in Manila, saying "At the onset of the meeting, President Fidel Ramos declared his country's stance to mandate private industry to pursue APEC's goals. His quote 'APEC means business' is a clear indication for trade and investment promotion, along with creating an environment conducive to cooperative relationships in this region. In response to this move, the APEC Business Advisory Council (ABAC), an organization of private enterprise representatives, formed five working groups. Each group discussed issues based on business experience, and made proposals. The Action Plan is a major reflection of these ideas."

In a comment that underscored the Chairman's belief, Director Hayashi said, "In addition to the basic understanding that APEC forges trade and investment liberalization, the Manila Meeting brought the importance of development assistance into focus." He added that "A commitment expressed at the conference by the private sector in development activities as a whole is a strong, driving force for development assistance."

Chairman Tateishi added that the Japanese government's unequivocal attitude in the 1995 Osaka Meeting that there is no development without technological and information assistance, including economic assistance, earned whole-hearted agreement from developing countries. This enthusiasm developed into a movement in the Manila Meeting. The government of Japan played a crucial role in creating this move.

Can there be an ITA without APEC assistance?

Regarding the Information Technology Agreement (ITA), Director Hayashi noted, "I attended the WTO Singapore Ministerial Conference after the APEC Manila Meeting. I was strongly convinced that order in world trade cannot be created without the power of Asian countries. In ministerial and prime ministerial level meetings, APEC members reached a solid consensus regarding ITA. This staunch APEC message led to the agreement at the WTO Singapore Ministerial Conference." His comment is high praise of APEC support, its member participation, and most of all, of the strong support by APEC's Least Developed Countries (LDC) members who were crucial in forming ITA. Though there are loose ends to be tied

together, countries whose ITA-related trade accounts for about 90% of total ITA trade, have endorsed ITA. Of these countries, nearly 90% are APEC members. Little wonder Director Hayashi felt moved to say, "I sensed this region gives strong priority to trade and investment."

Chairman Tateishi reflected on the effort to reach an agreement at the WTO Singapore Ministerial Conference. He recounts his accomplishment: "The private enterprise side also encouraged members to give their consent to ITA. After all, WTO's 28 countries and regions supported ITA, and members agreed on the basic framework of ITA."

A major triumph at the APEC Manila Meeting was the number of new trade and investment orders created through the united effort of governments and the private sector, as well as a substantial cooperative relationship to design the framework of assistance for overall development of this region. The next step will be to put these ideas into working order. Director Hayashi was amazed at the enthusiasm of the South East Asian countries at the Manila Meeting to bring these ideas to fruition. He said that, "Given that the APEC meeting was hosted in the Philippines, South East Asian countries moved dynamically, and showed their willingness to begin with whatever possible, such as granting visas and simplifying customs procedures. We cannot expect such agility from Japan."

The U.S. and Japan were rather reluctant concerning the visa issue. Chairman Tateishi explained: "The U.S. is concerned about terrorism, and Japan is cautious about the influx of undocumented workers and illegal residents in the country. The visa issue also involves the issue of sovereignty." However, he said "The private sector hopes governments begin with the most feasible areas, at least by giving privilege to granting business visas."

Director Hayashi responded, "We fully understand the private sector's desire to form associations among businessmen with reduced restraint in this region. The Japanese government

should constantly work for progress through opportunities such as APEC meetings."

How much can Asia expect?

The 1997 APEC meeting is scheduled in Canada. The world is watching how the accomplishments in Manila will develop this year.

Representing the private sector, Chairman Tateishi offered his proposals. "One of the issues which we have discussed and feel would greatly affect the future is the capital market. That is, how APEC can foster capital markets in its region. Other viable issues are anti-dumping regulations, and various problems regarding emerging electronic commerce throughout the world. I expect harmonization of standards to promote uniformity, and reinforcing APEC's general rule of unrestrained investment will be included. Japan is a strong advocate of unrestrained investments, and we will continue to support this issue. We are also considering supporting small and mid-size enterprises, and continuing talks on training human resources, and taxation."

Director Hayashi agreed that capital markets are a quite well-timed issue, and urged private sector representatives to push toward realization. "APEC, especially the Asian members, will be in great need of capital to develop infrastructure," he said. "Government funds will be far from sufficient to cover these costs. It takes backup from the Export Credit Agency (ECA) which was established last year, along with sound development of capital market by all means."

How much capital does Asia need to build infrastructure? The World Bank estimates the cost at \$1.5 trillion, but the figure is considered to be astronomical. Realizing that "there is no doubt that government funds alone are insufficient," Chairman Tateishi said, "the issue is how the private sector can help bear the cost of infrastructure development, and how to minimize their risks." He thinks Japan's proposal to alleviate the risks within the ECA

scheme is very effective.

The World Bank will set up a working group to make investment rules, and OECD is moving toward establishing regulations in the multi-national investment agreement. But LDCs are strongly concerned that they may be forced to abide by rules industrialized countries design. Regarding their anxiety, Director Hayashi said "this issue should be pursued in APEC discussions." Chairman Tateishi agreed. "Forcing OECD rules would certainly bring about friction. Proposals should be flexible enough to promote member confidence."

Cooperation in the information business is crucial

Director Hayashi believes APEC members must promote cooperation in developing electronic commerce. He comments, "Cooperation is crucial in the information business. When I visit Europe and other countries in Asia, I realize Japan is far behind in information, especially in telecommunications. There is talk of a ministerial-level conference on information among industrialized countries sometime in July or later."

This conference will focus on electronic commerce. Electronic commerce is laden with important unsolved issues: security, intellectual property, standardization, and privacy to name a few. Director Hayashi says, "We must solve these problems one by one, and create a system for smooth world communication to promote business."

APEC members have a keen interest in nurturing human resources. Director Hayashi is eager to promote this issue. "APEC countries have high expectations of Japan," he said. "We will work toward concrete proposals through continuing dialog." Chairman Tateishi's idea is to "invite ASEAN business people and engineers to Japan to study. Designate an organization to coordinate this system; perhaps the Chamber of Commerce is best suited to this task. It is important to bring this issue into reality soon."

How to respond to Asia's changing environment

Director Hayashi asked Chairman Tateishi for his frank opinion, following his attendance at the APEC meeting in Manila, on whether member nations are actually making progress, or rather are making an attempt toward progress. Chairman Tateishi answered, "It is not quite about the government stance of each member, but Japan has launched into the Asian market fairly early. With the business environment improving there, Japanese companies should review how they can contribute to a better environment in the future. The United States is thoroughly prepared to leap into Asian business, but Japan lacks that enthusiasm. The U.S. is consolidated in its preparedness to benefit from a changing Asia. Japanese companies should assess a changing Asia, and re-focus on its importance. We are engaged in various businesses in Indonesia, Malaysia, and China. We find the business environment to be much easier today in terms of visa requirements and import procedures. It is time Japan reviewed these advantageous changes from the viewpoint of promoting business."

Japan should respond to the commitment of Asian nations to ameliorate trade barriers and to lift trade restrictions on their own, and should be swift to take advantage of these changes for the direct merit of private enterprises.

Concerning the scope of issues to be discussed at APEC, Director Hayashi's opinion is, "The APEC government-level talks include WTO issues. One future issue is the extension of membership. Japan supports extending membership to Vietnam and to Peru.

Some APEC members feel extended membership makes areas of discussions too diverse and too difficult to reach a consensus. This will also be an issue for the future. Some members consider discussing drug trafficking and terrorism countermeasures. Since APEC was originally conceived for economic/business issues, this may be a point of contention. Japan should concentrate on the economic aspects, but APEC's direction would be set based on discussions with other members"

Chairman Tateishi agreed. "It is not desirable for APEC to acquire a political nature." He was critical about using APEC for political purposes. "It is good that APEC offers opportunities for world leaders to exchange opinions. For example, it would be appropriate that U.S. and Chinese heads of state

solved in a constructive way without causing disorder. Trying to find agreeable ground is an important role for APEC to assume."

Japan must expedite structural reform

The economic environment is changing rapidly in Asia. How should Japan respond? Chairman Tateishi feels an urgent need for Japan to press ahead in structural reform. "While I talk with public and private leaders from other countries about liberalization, I feel Japan itself must change to respond to the changes going on elsewhere," he said. Although Japan is an economic power which accounts for 18% of world GDP, Japan enjoys only 1% of world investment capital flows. This is too lopsided a phenomenon, which requires improvement through Japan's structural reform."

Director Hayashi shares this concern. He added, "This is an important issue both for the government of Japan and the Hashimoto Administration. We must make Japan an attractive place for foreign investment, lower the cost of investment, and create an environment for investment which is more desirable than any other country. Otherwise, Japan may miss the opportunity to survive as the world's largest economic power in the 21st century." His comment that "We must be serious

in executing structural reform" shows the government's strong resolve to bring about the overhaul of Japan's economic structure. ■



Omron Chairman and Representative Director Tateishi Nobuo (right) and Hayashi Yasuo, Director of the International Trade Policy Bureau, MITI (left), meet following the Manila Meeting.

meet at APEC for diplomatic talks, but taking up political issues among APEC members should be avoided." On the other hand, "We believe WTO should grant membership to China and Taiwan at the earliest possible stage. We endorse the policy that 'All countries should be WTO members,' and we favor giving all the support we can." Director Hayashi responded, "WTO has its own rules which APEC must respect, but we hope issues can be

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